

Proposed Rule - Traceability for Livestock Moving Interstate

Summary of Economic Analysis

(As reported in the Regulatory Impact Analysis)

Advancing animal disease traceability as contained within the draft proposed rule is based upon two components - official identification and interstate movement documentation. The proposed animal disease traceability regulation will have the greatest impact on the cattle industry and is the primary focus of the economic analysis.

Cost associated with official identification eartags, the most common method of official identification, is used to estimate official identification. The interstate certificate of veterinary inspection (ICVI), better known to producers as a health certificate, is also a well-established practice in the industry and used to estimate the cost of interstate movement documentation.

The Department anticipates that most operations will combine tagging with other routine activities such as vaccination or de-worming, thereby avoiding the costs associated with working cattle through a chute an additional time. For these operations, the total incremental cost of official identification would be about \$3.5 million. Producers who are not already using official identification and who choose to tag their cattle as an activity separate from other routine management activities are estimated to see annual incremental costs of official identification from \$12.5 million to \$30.5 million. The per animal cost for official identification for producers not currently officially identifying their animals is estimated to range from \$.18 to \$4.68, depending on whether identification is incorporated into routine management practices.

Interstate movement documentation annual incremental cost for the cattle industry is estimated to total from \$2 million to \$3.8 million. The per animal cost for interstate movement documents is estimated to range from zero to \$7.50, depending on how much the producer previously used certificates of veterinary inspection documents for their cattle moving interstate.

For compliance with both the official identification and interstate movement documentation components of the proposed rule, it is estimated the annual incremental costs would range from a total of \$5.5 million to \$7.3 for producers who combine official identification eartagging with current management activities, to \$14.5 million to \$34.3 million for producers who would handle their cattle solely for compliance with the regulation, or a cost per animal range from \$.18 to \$12.18. The cattle industry and costs per animal are summarized in the attached charts.

Using \$31.8 billion as the value of U.S. cattle and calf production in 2009, the projected economic impact of the proposed animal disease traceability rule to the cattle industry represents a small fraction of the value of U.S. cattle and calf production.

Federally appropriated funding for supporting animal disease traceability activities for fiscal years 2012 through 2015 will be determined by the Federal budgeting process. USDA expects the appropriation to total \$127.7 million over the four fiscal years. A significant portion of these funds would be provided to States and Tribes, through cooperative agreements, to help support the implementation of the animal disease traceability efforts.

The primary benefit of the proposed regulations would be the enhanced ability of producers, States and Tribes, and the Federal government to regionalize and compartmentalize animal health issues more quickly, minimizing losses and enabling reestablishment of foreign and domestic market access with minimum delay in the wake of an animal disease event. The analysis provides an example where changes in prices and international market access could result in a \$3.7 billion net benefit to society because of improved animal disease traceability.

Table 1. Total Annual Estimated Costs for Cattle Producers

Official Identification Component		Interstate Movement Documentation Component	Total Official Identification & Interstate Movement Documentation	
Standalone Practice ¹	Modified/Combined Management Practices ²	Cost for Interstate Certificates of Veterinary Inspection	Standalone Practice ¹	Modified/Integrated Management Practice ²
\$12.5 - \$30.5 M	\$3.5 M	\$2 M - \$3.8	\$14.5 - \$34.3 M	\$5.5 - \$7.3

¹ Cost for producers who are not already using official identification and who would eartag their cattle as an activity separate from other routine management practices.

² Cost for producers that combine tagging with official identification eartags with other typical management practices.

Table 2. Estimated producer incremental cost of official identification for cattle

	Group 1: Incremental cost if official identification is currently used ¹	Group 2: Incremental cost when incorporated into routine management practices ²	Group 3: Incremental cost when not incorporated into routine management practices ³
	Per Head		
Metal eartag ⁴	Zero	Zero	Zero
Eartag applicator ⁵	Zero	Zero	Zero
Chute operation ⁶	Zero	Zero	\$1.00 to \$2.50
Labor to attach the eartag ⁷	Zero	\$0.18	\$0.18
Shrinkage and injury ⁸	Zero	Zero	\$0.50 - \$2.00
Total	Zero	\$0.18	\$1.68 to \$4.68

¹ Estimated to comprise 35 percent of beef cattle.

² Estimated to comprise 45 percent of beef cattle.

³ Estimated to comprise 20 percent of beef cattle.

⁴ Metal eartags with numbers conforming to the National Uniform Eartagging System (NUES) would be provided at the direction of State and Tribal animal health officials.

⁵ Eartag applicators would also be provided to producers for NUES tags.

⁶ Based on data presented in the benefit-cost study. For establishments that do not routinely eartag livestock, tagging may take place at an approved tagging site.

⁷ Based on a median farm worker's hourly wage (farm and ranch animals) of \$10.42, and assuming 1 minute is required to tag 1 animal (U.S. Department of Labor, <http://www.bls.gov/oes/2009/may/oes452093.htm>).

⁸ Assumed upper-bound shrinkage cost is \$1.90, based on a weight loss of about 0.2 percent, or about 2.5 pounds for a cow weighing 1,270 pounds, and a price of \$950 (http://www.ams.usda.gov/mnreports/gl_ls132.txt). Potential injury costs comprise the balance of this cost category. A range of \$0.50 to \$2.00 is used, allowing for subsequent gain by livestock on feed. Shrinkage may be less of an issue for replacement breeding stock, but potential injury costs would be an issue in all instances.

Table 3. Estimated producer incremental cost of interstate certificate of veterinary inspection (ICVI) for cattle

	Incremental cost for enterprises already utilizing certificates of veterinary inspection for moving cattle interstate other than for immediate slaughter	Incremental cost for enterprises not already utilizing certificates of veterinary inspection for moving cattle interstate other than for immediate slaughter
	Per Head	
Issuance of ICVI, including recording of the animal's official identification number ¹	Zero to \$1.00	\$1.00 to \$3.00
Chute operation ²	Zero	\$1.00 to \$2.50
Shrinkage and injury ³	Zero	\$0.50 - \$2.00
Total	Zero to \$1.00	\$1.00 to \$7.50

¹ Issued by an APHIS representative, State or Tribal representative, or accredited veterinarian.

² Based on data presented in the benefit-cost study. This cost only applies to cattle that would need to have individual animal identification recorded on the ICVI.

³ Assumed upper-bound shrinkage cost is \$1.90, based on a weight loss of about 0.2 percent, or about 2.5 pounds for a cow weighing 1,270 pounds, and a price of \$950 (http://www.ams.usda.gov/mnreports/gl_ls132.txt). Potential injury costs comprise the balance of this cost category. This cost only applies to cattle that would need to have individual animal identification recorded on the ICVI. A range of \$0.50 to \$2.00 is used, allowing for subsequent gain by livestock on feed. Shrinkage may be less of an issue for replacement breeding stock, but potential injury costs would be an issue in all instances.